



**FIRSTBANK**

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November 6, 2019

Via Electronic Submission

Ms. Ann Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

**Request for Comment: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Docket No. OP - 1670**

Dear Ms. Misback,

We appreciate the opportunity to work with you and would like to respectfully submit our comments below regarding potential actions the Federal Reserve could take to facilitate real time payments.

First and foremost, FirstBank firmly believes that the key to ubiquity is interoperability. From both the bank and customer perspective, interoperability will reduce complexity and deliver an overall better payment experience. Disparate systems based on different operating rules, message sets, or technical specifications present many challenges and concerns. Most notably, if connecting to multiple systems ultimately results in an inconsistent experience for our customers, whether through key functionality, dollar limits, or speed of processing, we may or may not decide to connect to multiple systems.

FirstBank also believes a lack of interoperability would ultimately reduce or significantly slow down broad adoption and limit the scope of reach. An interoperable model will foster greater competition and innovation, ultimately benefitting customers and the overall financial system through value add services and features. This is a proven benefit of other payment mechanisms, such as card and ACH, and will be critical to the ongoing value of real time payments.

In order to support the objective of achieving nationwide reach and maintaining a low barrier to entry, FirstBank requests the Federal Reserve consider targeting interoperability at the time of the initial launch of the FedNow service, understanding that this is not solely at the discretion of the Federal Reserve. We also urge the Federal Reserve to remain flexible on requirements and functionality as they begin building the FedNow service in order to ultimately create a service that matches the need of the market at the time of the initial launch.

Lastly, while some financial institutions may have the resources and capacity to support connection to multiple systems, many banks may not have such resources, ultimately leading to a fractured payment system and poor customer experience.

### **Proposed Features:**

FirstBank generally supports the various features the Federal Reserve outlined in their proposal, however, we would like to put emphasis on the timing of the initial launch of the FedNow Service, and the critical features that are relevant to achieving a nationwide reach as outlined below. By 2024, existing RTGS (Real-Time Gross Settlement) systems in the United States will have had time to mature and achieve a wide reach. Volumes and overall usage will be higher and most importantly, many of the Federal Reserve secondary features may be standardized or expected. Additionally, the timeframe in which the Federal Reserve shares the detailed information about the FedNow service is critical. Information related to technical specifications, operating rules, as well the pricing, will be important to understand well in advance of the service launch in order to effectively allocate resources and design and plan a timely implementation approach.

As part of the initial release, among other features, FirstBank would like to see strong fraud mitigation tools and consideration of a higher maximum origination limit. However, we feel that features such as Remittance Advice, Directory Services and Request for Payment are not necessary to effectively facilitate real time payments, and could be added at a later date. The Federal Reserve should plan to adjust its service to the industry standard and expectation when FedNow goes live.

### Fraud Mitigation Tool

Due to the nature of real time payments, it will be necessary for originating financial institutions to take measures to strengthen user authentication and fraud monitoring capabilities. However, strong network level fraud mitigation tools are an equally critical component to maintaining a safe and secure payments system. In addition to monitoring for fraud at the network level, solutions should include information sharing with sending and receiving institutions to assist with identifying “bad actor” or mule accounts that could not reasonably be identified with the knowledge of a single institution alone. These features should be available at the time of the initial launch of the FedNow service.

### Limits

The current proposed limit for the FedNow Service of \$25,000 is too low, as by the time the service goes live, it is likely the industry will be supporting limits of \$100,000 or greater. The Federal Reserve should be prepared to increase limits in accordance with what is generally supported by the industry and competitors.

### Directory Services

While Directory Services are a key component to facilitating faster payments and achieving interoperability, FirstBank does not view the inclusion of such services as critical for the Federal Reserve to deliver as part of the initial launch of the FedNow service. The use of aliases, such as emails and phone numbers, provide comfort and assurance to end users, but is not absolutely necessary initially, and may potentially be resolved by private sector solutions. However, if and when the FedNow Service offers a Directory Service, it must be able to seamlessly communicate across networks to achieve the best customer experience.

### Request for Payment

FirstBank believes Request for Payment is not necessary for the initial implementation of the FedNow Service, however, we recommend that this functionality be supported shortly after the release of the FedNow Service. While faster payments in the United States are still maturing, FirstBank views Request for Payment functionality as an important feature to facilitate certain use cases such as bill payment. The ability to complete a credit push payment as a replacement for payments that have traditionally been facilitated through a debit pull method, such as through the ACH channel, is important functionality.

### Remittance Advice

FirstBank does not view support of Remittance Advice messages as a necessary component of the initial launch of the FedNow service. FirstBank primarily banks consumers and small business customers who have minimal use for this type of functionality due to the generally less complex nature of their banking needs.

### **Liquidity Management Tool:**

FirstBank supports extension of FedWire operating hours to comparable operating hours to real time payments systems, or at a minimum seven days a week, to support operational and processing needs. This will ultimately provide all institutions with the capabilities to manage funds and liquidity as needed for the FedNow service, competing real time payment services, and other services currently performed by financial institutions such as wire and ACH. While FedNow users will benefit directly from this change, FirstBank encourages the Federal Reserve to consider this change independent from the FedNow service as there would be significant value created by offering this service in advance of the launch of the FedNow service.

Access to adequate liquidity is an essential component of operating a real time payment system and a necessity for financial institutions to mitigate risk and meet ongoing customer demands. Without access to liquidity outside of existing FedWire operating hours, FirstBank may be required to make significant changes in our operations to effectively manage liquidity and applicable operations on evenings and weekends. This could potentially impact the customers' ability to send a RTP, and FirstBank's ability to earn interest on funds held for real time payment funding purposes.

More specifically, creating automated funding mechanisms from the Federal Reserve to other systems like The Clearing House's RTP prefunded account would be very valuable. This would allow institutions to manage funds more effectively while still adequately prefunding accounts as needed, and maximizing opportunities to earn interest.

### **FedNow Service Pricing:**

With regards to pricing, FirstBank agrees that a per item price model is acceptable and we are open to a fixed participation fee. However, since our objective is ubiquity and adoption, we also support a fee structure which supports adoption of the network and features. We would also like to encourage consideration of incentive structures to support such behavior, such as providing incentive credits to receive or respond to certain messages in order to help reach ubiquity.

Similar pricing models are already in use with Same-Day ACH and The Clearing House's RTP network. We believe a fee to receive a FedNow Payment may slow the adoption rate, as many financial institutions may decide to wait to go live until they are able to send and receive.

**Competitive Advantage:**

As the Federal Reserve has highlighted, there are certain components that would be inherent to the FedNow system that could potentially create an unfair competitive advantage over competing networks, including ability to access a master account, earn interest, and have funds count towards reserve requirements. Other networks cannot provide these benefits, and all else equal these factors would heavily influence FirstBank's decisions on how to route payments and manage funds.

**Core Service Providers:**

As hundreds of banks leverage the capability of core service providers to deliver technology and payment solutions, these core providers are also an imperative part of the FedNow service, and overall real time payment system success. FirstBank feels it is very important for the Federal Reserve to develop a comprehensive strategy to collaborate with and onboard core service providers early in the process to ensure they are early and willing adopters of this service.

Thank you for the opportunity to provide comments on the Federal Reserve Bank's potential actions to support interbank settlement of faster payments. We share the Board of Governors' goal of a modern, secure, and innovative payments system in the United States. In closing we would encourage the Board of Governors to act as soon as possible in providing clarity to the market on the expected role of the central bank in the new faster payments ecosystem.

If you have any questions please contact me by phone at (720) 544-2110 or by email at [Emily.Robinson@efirstbank.com](mailto:Emily.Robinson@efirstbank.com). You may also contact Max Meints by phone at (303) 235-1456 or by email [Max.Meints@efirstbank.com](mailto:Max.Meints@efirstbank.com) or Tony Cook by phone at (303) 235-1418 or by email [Tony.Cook@efirstbank.com](mailto:Tony.Cook@efirstbank.com). I appreciate you taking the time to consider our feedback on the FedNow System.

Sincerely,



Emily S. Robinson  
Chief Operating Officer