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November 6, 2019
Via Electronic Submission

Ann E. 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:

ePayResources welcomes the opportunity to submit this comment letter to the Board of Governors of the Federal Reserve System (the "Federal Reserve") in response to the notice and request for comment regarding the proposal to develop a new real-time payment and settlement service, called FedNow (the "Request").

ePayResources is a payments association representing over 1,500 member financial institutions and industry stakeholders primarily in the southwest and southeast U.S. This comment letter represents feedback received from our member financial institutions regarding specific features and functionality of the proposed FedNow service, and expands on our comments previously submitted on Friday, December 14, 2018, regarding the Federal Reserve Bank RFC for RTGS and Faster Payments Settlement Support.

Interoperability

In our previously submitted comments, we emphasized the importance of interoperability. Our members strongly agree that interoperability with other RTGS services is critical.

Message Standard

ePayResources and our members agree that FedNow should adhere to the same ISO 20022 message tags that The Clearing House's RTP network uses, similar to the existing Nacha ACH file standard.

Settlement Account

Our member financial institutions want the Federal Reserve to assist with managing master settlement accounts in a real-time environment by developing liquidity management tools and waiving NSF charges to financial institution master accounts for a period of time.

Seven-Day Accounting Regime and Business Day

Our members prefer a Good Funds Model approach as part of a seven-day accounting regime, as opposed to a Risk-Based Model. Current business models among our members tend to support the ability to post and make available credits in real time on business and non-business days.

Liquidity and Credit

The features and tools our members need to effectively manage intraday and end-of-day account balances in a 24x7x365 environment include:

- Extending existing controls from other applications to the FedNow service, including the ability to monitor balances and receive alerts when the account is under or over target balance.
- Real time 24x7 account balance reporting available through web and mobile platforms.
- A tool to make movement of funds from the correspondent bank to the Federal Reserve seamless and intuitive.

Network Access

Our members generally feel that their current infrastructures would provide adequate telecom service to support end-to-end payments processing through FedNow.

Service Pricing

We urge the Federal Reserve to price the FedNow service as economically as possible because implementation represents a significant investment for community banks and credit unions who anticipate a long cost recovery term, if any. Making the FedNow service affordable for community banks and credit unions supports the long-term mission of this initiative.

Request for Payment

Our members want the FedNow service to include request for payment functionality at the time of rollout. This functionality should include the warranty that the sending bank of the request for payment takes the liability in instances of a fraudulent request for payment.

Directory Service

Our members feel the best approach for directory access with FedNow is for the Federal Reserve to either build their own directory or establish a centralized link with the private sector directories on behalf of participating financial institutions.

Fraud Prevention Services

Our members want the Federal Reserve to develop the following tools or services as part of the FedNow service to help mitigate fraud:

- Notify financial institutions about accounts that have never received an electronic payment
- Integration with EWS (Early Warning Services)
- Account authentication

- Alerts for unusual activity or large dollar transactions
- Plug and play alert thresholds

Finally, ePayResources supports Nacha's positions stated in their response dated October 31, 2019, that:

- The Federal Reserve's investigation of FedNow should not impair immediate action on the Federal Reserve's May 16, 2019 proposal to extend NSS operating hours by 1 hour to 6:30 p.m. ET in support of Same Day ACH
- Any action on FedNow should be conducted in parallel with other actions to address the liquidity management needs of financial institutions to effectively participate in real time payments (e.g., further extension of NSS and Fedwire to 24x7x365 hours, and implementation of a seven-day accounting regime)
- Any ancillary tools and services adopted to support FedNow (including the extension of NSS and Fedwire operating hours up to 24x7x365, directory services, and fraud prevention services) must be made uniformly available, without discrimination, to all payment systems and settlement agents otherwise qualified to use Federal Reserve services.

ePayResources appreciates the opportunity to provide these comments for consideration. If you have any questions regarding our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Laura Steele".

Laura Steele
President and CEO
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