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**First National Bank**

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November 06, 2019

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

**Re: Notice and Request for Comments – Federal Reserve Actions to Support Interbank Settlement of Faster Payments; Docket No. 1670**

Dear Ms. Misback:

On behalf of First National Bank of Pana, we appreciate the opportunity to comment on the above-referenced regarding FedNow Service and thank the Federal Reserve Board for its decision to develop the FedNow service. With this decision of developing a real-time gross settlement service we feel this will ensure fairness for community banks like ourself of open access and prevent TCH to allow a troubling advantage. We need the Fed to continue to move forward in its role in our nation's payment system to support similar services offered by the private sector.

The Fed's decision will help reduce concentrations in financial services, increase competition, lower costs, foster innovation, employ necessary checks and balances and create a critically important redundancy in the payments system in times of economic stress. This action by the Fed will benefit community banks, consumers, small businesses, the financial system and our economy and taxpayers for decades to come.

We would encourage the Fed to consider the following:

**1. Timing for implementing the FedNow Service**

The current proposed timeline will not allow community banks to be able to offer the real-time payments to their customers, TCH's will be at a further competitive advantage due to it has implemented its own version of real-time payments and extend the Feds cost recovery.

We urge the Fed to reconsider the expected implementation of this Service from 2023/24 to be shorten and begin sooner.

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**2. Interoperability (communications between payments systems (i.e., the FedNow Service and The Clearing House's (TCH's) Real-Time Payments Network (RTP))**

The interoperability will develop over time but remains a key objective. To be beneficial to community banks and their customers, interoperability will be required to achieve ubiquity, the widespread adoption and usage of real-time payments. This goal is dependent on the cooperation of TCH which is not assured. Striking a reasonable balance between the pace of the Service's development and implementation and an inviting and feature rich service will be crucial. We would strongly suggest the Fed to make interoperability a high priority.

**3. Payments Directory**

The Fed is key in providing the trust factor in the payment directory. Understanding that other entities will likely be looking to participate in this service, to allow other entities to participate for their own benefit we urge the Fed to not allow.

**4. Fraud Prevention Services**

The Fed should be a repository of information, a sharable data base, about fraudulent activity. We would request the Fed to develop these fraud mitigation standards and develop an information data base including an appropriate hold harmless for good-faith contributors enabling community banks to maintain the capability to defeat fraudulent activity and prevent losses due to frauds.

**5. Rules and Standards**

Incorporating a single set of rules and standards across real-time payment systems will not favor one provider over another, and it will promote interoperability which is required for ubiquity. We urge the Fed to look to the Faster Payments Council (FPC) for guidance in creating rules and standards for real-time payments similar to how NACHA fosters compatibility and integration for the Automated Clearing House.

**6. The Fed's Role as Payments System Regulator**

The Fed is not plenary regulator of the payments system and this limitation will extend to real-time payments. However, the Fed regulates (either directly, indirectly, or as an influencer) every federally supervised depository institution which has access to the payments system. The Fed should consider to continue to exercise the necessary influence, particularly over TCH's owners and their RTP Network, to protect the payments system through the Reserve Bank's provision of payment and settlement services to banks.

## **7. Core Processors and Other Service Providers**

Community banks, unlike the largest banks, are dependent on the largest core processors to deliver their services in support of all of a banks' critical operations. Community banks are experiencing significant costs and delays with the largest core processors even when trying to implement simple requests for additional services and access to add-ons. A delay caused by the cores in allowing community banks to access the FedNow Service has the potential to put community banks at a significant competitive disadvantage. Due to the dependence on the core processors we encourage the Fed to exercise it's authority to ensure the core processors and other service providers we rely on do not put us at a disadvantage in our ability to access real-time payments.

Thank you for the opportunity to comment. If you have any questions please do not hesitate to contact Matt Beavers at [mbeavers@fnbpana.com](mailto:mbeavers@fnbpana.com) or 217-542-7500.