

From: [Dan D. Graham](#)
To: regs.comments@federalreserve.gov
Subject: FedNow Comments
Date: Tuesday, November 05, 2019 1:16:36 PM

NONCONFIDENTIAL // EXTERNAL

July 1, 2019

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

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

Dear Ms. Misback:

First let me say thank you to the Federal Reserve Board for its decision to develop a real-time gross settlement service. The Fed's decision ensures open access and fair treatment to all community banks, and prevents The Clearing House (TCH), which is owned by 25 of the largest banks from gaining a disturbing monopoly over real-time payments.

The following points are the concerns I'd like to address as the fed moves forward with FedNow:

1. Timing for implementing the FedNow Service



Dan D. Graham
President / CEO

Flora Bank & Trust

1478 N. Worthey St.
Flora, IL 62839
Phone (618) 662-2639
Fax (618) 403-5020

The Fed expects to be able to implement this new Service in 2023/24. This timeframe needs to be shortened, yet the Service needs to have many desirable features. A longer timeframe will result in community banks not being able to offer real-time payments to their customers, enhancing TCH's further competitive advantage because it has already implemented its own version of real-time payments. We strongly encourage the Fed to work to implement the FedNow Service before 2023/24.

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

The Fed stated that interoperability will evolve over time but remains a "key objective." Interoperability is required to achieve ubiquity, the widespread adoption and usage of real-time payments, which will be beneficial to community banks and their customers. This goal is dependent on the cooperation of TCH (and others) which is not assured. A reasonable balance must be struck between the pace of the Service's development and implementation and an inviting and feature-rich service. We would like to see the Fed to make interoperability a high priority.

3. Payments Directory

A payments directory enables a payer to transfer funds to a payee (recipient) without knowing the details of the payee's account information by providing an alias or public identifier, such as an email address or a phone number. Other entities will likely be looking to insert themselves in the payment's directory and payments process (toll-takers) for their own benefit, but they must not prevail. The Fed is the trusted provider with its broad reach.

It is in the industries best interest the Fed to play an integral role in the Payments Directory.

4. Fraud Prevention Services

The Fed is an essential commander on the front-line of fraud prevention and an essential ally of community banks in their efforts to prevent fraud losses. The Fed should be a repository of information, a sharable data base, about fraudulent activity similar to the way OFAC and ChexSystems operates today. This service will benefit all financial institutions in their fraud mitigation efforts. We ask the Fed to develop fraud mitigation standards, and develop an information data base (with an appropriate hold harmless for good-faith contributors) to provide community banks with "robust" capabilities to defeat fraudulent activity and prevent fraud losses.

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 encourage 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. It is felt the Fed should 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

Unlike the largest banks, community banks are reliant on the 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 core processors in implementing even 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 will put community banks at a significant competitive disadvantage.

Respectfully,

FLORA BANK & TRUST

A handwritten signature in black ink, appearing to read 'D. Graham', is written over a light blue rectangular background.

Dan D. Graham
President & CEO

Dan D. Graham
President & CEO
Flora Bank & Trust

1478 N. Worthey
Flora, IL 62839
Phone: 618-662-2639
Fax: 618-403-5020

CONFIDENTIALITY NOTICE: This communication contains information which is confidential and/or privileged. This information is for the sole use of the intended recipient(s). If you are not the intended recipient, please be advised that any disclosure, copying, archiving, distribution, or use of the contents of this information is strictly prohibited. Also, please alert the sender to the delivery error and destroy this communication and all attachments.