

From: Rushville State Bank, Gregg Roegge
Proposal: 1670 - Federal Reserve Actions to Support Interbank Settlement of Faster Payments
Subject: Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Comments:

NONCONFIDENTIAL // EXTERNAL

November 5, 2019

Ms. Ann Misback

Secretary

Board of Governors of the Federal Reserve System

20th 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 Rushville State Bank, I want to thank the Federal Reserve Board for their decision to develop a real-time gross settlement service (FedNow). This 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 monopoly over real time payments. This decision will also help reduce concentrations in financial services, increase competition, lower costs, and create a critically important redundancy in the payments system in times of economic stress.

The Federal Reserve must continue to play a critical role in the nation's payments system as we move towards a real-time settlement system, just as it does today. In this context, I offer the following comments and recommendations:

Timing for Implementation of the FedNow Service

The most recent information that I have seen indicates that the Fed expects to be able to implement the FedNow Service in 2023/2024. I urge the Fed to shorten this timeframe and implement the FedNow service sooner than the 2023/2024 dates, as this extended period prior to implementation will result in community banks not being able to offer real-time payments to their customers while giving TCH a further competitive advantage in the real-time payment arena.

Rules and Standards

I 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.

Interoperability

The ability for communication between the FedNow Service and the TCH's Real Time Payment Network is critical to achieve the widespread adoption and usage of real time payments, which will be beneficial to community banks and our customers. This interoperability is dependent on the cooperation of TCH, which is not assured. Interoperability must be a high priority to ensure in the timely development and implementation of the FedNow Service.

The Fed's Role as Payments System Regulator

The Fed needs to continue to exercise the necessary influence to protect the payments system as it applies to real-time payments.

Fraud Prevention

The Fed should be a repository of information about fraudulent activity, similar to the way OFAC operates today. The Fed should develop fraud mitigation standards and an information database to provide community banks with robust capabilities to defeat fraudulent activity and prevent fraud losses.

Payments Directory

The Fed needs to play an integral role in a payments directory that enables a payer to transfer funds to a payee without knowing the details of the payee's account information by providing an alias or public identifier. Other entities will likely try to enter this field for their own benefit, but the Fed is a trusted provider and should not allow other parties to insert themselves in the payment systems directory and payment process.

Core Processors and Other Service Providers

Community banks rely on core processors and other service providers to deliver their services in support of the banks' critical operations. Any delay caused by these service providers in allowing community banks to access the FedNow Service will put community banks at a significant competitive disadvantage. I encourage the Fed to use its regulatory authority to ensure core processors and other service providers do not disadvantage community banks in their access to real-time payments. Thank you for giving us the opportunity to provide this commentary. Please feel free to contact me with if you have any questions.

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