

From: Durand State Bank, Kathy A. Sutherland  
Proposal: 1670 - Federal Reserve Actions to Support Interbank Settlement of Faster Payments  
Subject: Federal Reserve Actions to Support Interbank Settlement of Faster Payments

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Comments:

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11/5/19

Ms. Ann Misback

Secretary

Board of Governors of the Federal Reserve System

Dear Ms. Misback,

I want to thank the Federal Reserve Board on its decision to develop real-time gross settlement service (now called FedNow Service). This is a historic decision which will benefit community banks, consumers, small businesses, as well as the financial system, our economy and taxpayers for decades to come. The benefits include (but are not limited to) helping to reduce concentrations in financial services, to increase competition, lower costs, foster innovations, as well as create a critically important redundancy in the payments system in times of economic stress (so there is no single point of failure). As the expected timing for implementation of this new service is 2023/24, I strongly recommend the Fed shorten its timeframe in order to deter further competitive advantages of The Clearing House (TCH). TCH has already implemented its own version of real-time payments. A longer implementation timeline will extend the Fed's cost recovery, but also result in Durand State Bank (DSB) and other similar community institutions to not be able to offer real-time payments to their customers.

The Fed stated interoperability will evolve over time, but this is a key objective to be beneficial to DSB and our customers as well as other community banks. This goal is dependent upon cooperation of TCH and others, which is not certain. We request a reasonable balance between the pace of the Service's development and implementation as interoperability should be a top priority.

The Fed is THE trusted provider and must play an integral role in the payments directory to avoid other entities looking to insert themselves in the payments directory and payments process for their own benefits.

The Fed is an essential commander on the front-line of fraud preventions and an essential ally of community banks to help prevent fraudulent losses. We urge the Fed to develop fraud mitigating standards and develop an information data base (with appropriate hold harmless for good-faith contributors). This information (similar to the way OFAC and Chex Systems operate) would provide community banks such as DSB with robust capabilities to defeat and prevent fraudulent activities. Rules and standards across real-time payment systems will not favor one provider over another; they will promote interoperability. I would encourage the Fed to look to Faster Payments Council (FPC) for guidance in rules and standards similar to how NACHA fosters compatibility and integration for the ACH.

In order for FedNow Service to work efficiently, the banks are reliant on their core processors to access this service along with all critical operations. We, as with many community banks, are experiencing significant costs and delays with core processors (the largest cores) in implementing even simple requests for additional services and add-ons. A delay caused by the core processors in allowing banks to access FedNow Service will put community banks at a significant competitive disadvantage. It would be advantageous for the Fed to use its regulatory authority to ensure the core processors and other service providers do not disadvantage community banks in their access to real-time payments. Again, many thanks to the Federal Reserve Board for the decision to develop real-time settlement service. I appreciate the opportunity to comment on this proposal. Please contact me at the number below or via email at [ksutherland@durandstatebank.com](mailto:ksutherland@durandstatebank.com) with any questions or comments.

Regards,

Kathy A. Sutherland

President

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