



**International Bancshares
Corporation**

November 6, 2019

Via email: regs.comments@federalreserve.gov

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

Re: Docket No. OP-1670
*Federal Reserve Actions to Support Interbank Settlement of Faster
Payments*

Dear Ms. Misback:

The following comments are submitted by International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC maintains over 189 facilities and more than 286 ATMs, serving 89 communities in Texas and Oklahoma. With approximately \$12.0 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded financial holding company.

This letter responds to the Board of Governors' request for comment regarding its proposal to develop a new interbank 24x7x365 real-time gross settlement service with integrated clearing functionality, to be called the FedNow Service, to support faster payments in the United States. In short, this service would enable sending and receiving payments at any time, with full access to funds in seconds. The Board expects the FedNow Service to be operational in 2023 or 2024. We are broadly supportive of the Federal Reserve's plans to develop this service because it will benefit institutions, their customers, and the public.

The FedNow Service will benefit institutions by giving them broader access to instant-payment functionality than the one private-sector provider currently in the market. It will benefit customers, including small businesses, by providing increased liquidity from the faster receipt of payments sent to them. It will benefit the public by improving the safety and reliability of the payments system and reducing the risk associated with deferred settlement.

Ms. Ann Misback
November 6, 2019
Page 2

We are particularly supportive of the Board's proposal because it gives small and medium-size institutions an opportunity to compete on a level playing field with the private-sector offering, which is owned and controlled by large banks. Further, it is problematic to have only one provider for such an important service. Creation of an alternative service will provide competition in pricing and encourage innovation. More importantly, it will ensure continued availability of a real-time payments capacity should the private system suffer a failure. The FedNow Service therefore will contribute significantly to the adoption of instant payments and the resiliency of the real-time payments system in the United States.


In order to realize these benefits as soon as possible, we encourage the Board to invest the resources needed to develop and implement the FedNow Service sooner than 2023. We similarly encourage the Board to make the service interoperable with any private-sector offerings, and to do so at its launch, so that financial institutions will have the flexibility to fully serve customers through either platform. Toward that end, we support the Board's proposal to use the ISO 20022 messaging standard for the FedNow Service. This standard is widely accepted, and its adoption will promote interoperability with other platforms.

While the Board's proposal is to be welcomed, all stakeholders must recognize that it introduces additional risk that has to be mitigated. First, the effect of human error or system error is magnified when a payment is immediately processed, as there is no way for an institution to stop the transfer after learning of a problem. Second, and for similar reasons, the dangers of fraud are heightened in an instant-payment environment. The Board must develop strong, effective fraud-protection standards, as well as robust processes and procedures to avoid errors before implementing the FedNow Service.

The Board's request for comment also referenced plans to expand hours for the National Settlement Service and the Fedwire Funds Service. We understand that the Board will issue a separate request for comment on issues relating to this proposal. For the time being, we will refer the Board to our July 2019 comment letter for Docket No. OP-1664 regarding expanded hours for these services.

Thank you for this opportunity to share our views.

INTERNATIONAL BANCSHARES CORPORATION



Dennis E. Nixon, President & CEO

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