



November 7, 2019

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

SUBJECT: OP-1670 – Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Dear Federal Reserve Board of Governors:

First National Bankers Bank (FNBB) is a correspondent bank that provides correspondent banking services to more than 600 community banks throughout the Southeast. We have been a trusted partner for community financial institutions since our inception in 1984. We appreciate the opportunity to provide comment on OP-1670 and the Federal Reserve's future role with regard to Faster Payments.

FNBB is in complete support of the Federal Reserve developing and implementing the new FedNow Service. With the Federal Reserve providing this core infrastructure, we agree that it will promote ubiquitous, safe, and efficient faster payments in the United States.

Below are FNBB's comments on several key areas of the service's potential features and functionality that could have great impact on the success of the new service.

Transaction Process

The Federal Register notice (FRN) states "Participating banks would be able to designate a service provider or agent to submit or receive payment instructions on their behalf. Participating banks could also choose to settle payments in the account of a correspondent bank." As a correspondent bank, we are very appreciative of Fed's inclusion of correspondent banks in the settlement process. FNBB would like to urge the Fed to allow participating banks to designate a service provider and settlement account separately.

Broad participation in this service is necessary, and as mentioned throughout the FRN, liquidity will be a key factor. In order to facilitate broader adoption throughout the community banks, having the ability to designate these two separately will be very important. This will allow the community banks to maintain relationships with their current core and/or service providers which could help to reduce expense for a new service that will likely be costly to implement. It will also allow the community banks the ability to continue settlement through their correspondent bank relationships, minimizing Fed's exposure to daylight overdrafts and limiting demand for Discount Window resources.

Time-to-Market

As the market for faster payments is rapidly evolving, it is important that the design and features of this new service are finalized as quickly as possible. FNBB supports Fed's commitment to launching the FedNow Service as soon as practicably possible and is willing to assist as needed to help accelerate this process. FNBB also agrees that achievement of true nationwide reach, as opposed to initial availability of a service, is a critical measure of success for faster payments.



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Directory

The FRN proposed three possible options for a directory service. At first blush, based on the options presented, we believe that the Reserve Banks establishing a centralized link with private-sector directories would be optimum in order to implement the service as quickly as possible. However, understanding there are other viable options that could also enable a successful and timely implementation, we fully support Fed's intention to engage with industry stakeholders to understand more fully the benefits and drawbacks of these potential approaches. We have confidence that the Fed will make the best possible decision based on those findings.

Interoperability

FNBB recognizes that the FedNow service will not be the only faster payment service available to participants. In order to achieve nationwide reach, it is imperative that the available services be interoperable. However, FNBB does not believe that the inability to interoperate on day one should delay the implementation, but does strongly encourage Fed to work with other RTGS infrastructure operators to achieve interoperability.

Fraud Prevention Service

As stated in the FRN, strong security mechanisms are necessary to support the overall safety of the nation's payment system. There will be a substantial need for tools to assist in compliance with regulations to prevent money laundering and terrorist financing. In order to be as efficient as possible, it is important that fraud prevention services be incorporated with the development of the FedNow service.

We appreciate the opportunity to respond to the OP-1670 proposal and thank you for your consideration of our comments. We submit our comment letter on FNBB's behalf as well as many of community banks for which FNBB provides correspondent banking services. The names and electronic signatures of those respective financial institutions adopting this position on OP-1670 are included with our letter.

Should you have any specific questions or require clarification, please contact Brandy Wheeler at 800-421-6182 or bwheeler@bankers-bank.com or me at jhudson@bankers-bank.com.

Sincerely,

Jim Hudson

Jim Hudson
President and CEO



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We hereby fully support this comment letter from First National Bankers Bank regarding OP-1670 and adopt the position provided regarding the Federal Reserve's role in Faster Payments as our own.

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