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November 7, 2019

Via Email

Attn: Ann Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
Email: regs.comments@federalreserve.gov

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

Dear Board of Governors:

TransferWise Inc. appreciates the opportunity to submit comments to the Board of Governors of the Federal Reserve System (“Board”) in response to the notice and determination that the Federal Reserve Banks should develop a new interbank 24x7x365 real-time gross settlement service.

TransferWise previously submitted a [comment letter](#) in December 2018 expressing support for the Board developing a ubiquitous, safe, and efficient faster payments system and shared its experiences as the first non-bank payments company to gain direct access to the United Kingdom’s Faster Payments Scheme and to maintain a central bank account for settlement at the Bank of England.

Background

TransferWise is a global technology company that is building the best way to move money around the world. Whether sending money to another country, spending money abroad, or making and receiving international business payments, TransferWise is on a mission to make life easier and save customers money.

Cofounded by Taavet Hinrikus and Kristo Käärman, TransferWise launched in 2011. It is one of the world's fastest growing tech firms having raised \$692m in primary and secondary funding from investors such as Andreessen Horowitz, Sir Richard Branson, Valar Ventures and Max Levchin of PayPal.

TransferWise Inc., our U.S. entity, is licensed in 47 states, and otherwise authorized to provide money transmission services to customers in the remaining states and territories.¹ TransferWise has more than six million active customers moving \$5 billion dollars worldwide every month, saving themselves \$1 billion every year. TransferWise has over 1800 employees in 13 offices, including New York, New York and Tampa, Florida.

General Comments

Faster Payments

TransferWise commends the Board on its proposal to create a real-time payments system (FedNow). We strongly agree that the Reserve Banks should develop a 24x7x365 real-time gross settlement (RTGS) system based on ISO 20022 standards and support a liquidity tool (such as extended FedWire hours). There is a clear public interest in the Federal Reserve building a fair and ubiquitous network accessible to every financial institution and payments provider that operates at low margins over time, and the Federal Reserve is uniquely positioned to guarantee ubiquity for financial institutions and inclusiveness for consumers. It can play a very important role in hastening the progress of real-time payments because the Federal Reserve is already connected to over 10,000 financial institutions through their current offerings.

A single system run by a single provider may not always have the correct incentives to pass along the benefits of speed and cost. Having multiple RTGS operators will promote market competition on price and service level agreements and deliver better value and choice to customers. Thus, in order to ensure that the public benefits from a faster payments system, TransferWise strongly supports the Federal Reserve playing a key leadership role, as central banks have done successfully in other jurisdictions. As we've seen around the world, consumers will benefit from improved speed, cost, and convenience, and transparency.

Non-Bank Access

TransferWise believes that the Federal Reserve should consider the accessibility and inclusion of non-banks in a faster payment system. In the U.S., to access the domestic payments infrastructure, non-bank financial institutions like TransferWise must partner with a bank to settle payment transactions on behalf of our customers. It results in added costs, complexity, and dependence upon competitors.

¹ TransferWise Inc. only offers its services in the states in which it is licensed or in the states that do not currently require it to be licensed, which includes all states except for Hawaii and Nevada. In those two states, a partner financial institution offers a TransferWise-branded money transmission service, and TransferWise Ltd., TransferWise's UK parent, which is regulated by the FCA, acts as a service provider to that financial institution.

Payment systems in many jurisdictions, including our neighbors Mexico and Canada, are in the process of modernizing and evolving their membership. TransferWise has been part of several important initiatives in this regard. In fact, in 2017, TransferWise became the first non-bank payments company to join the United Kingdom's Faster Payments Scheme and the first non-bank to maintain a central bank account for settlement at the Bank of England. The UK regulator (the Financial Conduct Authority) actively engaged on this initiative with TransferWise and took a risk-based approach to opening up the scheme to non-bank members.

These changes abroad reflect the fact that as trends in society and commerce evolve as a result of technological advances, many consumers now rely on new entrants and less traditional financial institutions to service their needs. Opening direct participation in the payments system to non-banks will help ensure competition flourishes, fosters innovation, and that financial institutions are incentivized to pass along the benefits of speed and lower costs to consumers.

Additionally, diversification will reduce systemic risks that arise from a handful of banks hosting most of the indirect non-bank participants. With the current set up, a small number of banks can build a business function being the bank and access provider to payment systems for non-banks. This concentration of new businesses across a handful of banks creates potentially higher risk than if non-banks were accessing the faster payments system directly.

We support risk-based, open and fair access to the domestic payments infrastructure and believe the Federal Reserve should prioritize this as it develops a faster payments system.

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We appreciate the opportunity to provide our comments and support the efforts of the Board to promote faster payments and real-time settlement in the U.S. Please do not hesitate to contact us if you have any questions regarding these comments or if we can be of any assistance.

Best,

Nick Catino, Head of Public Policy (Americas), TransferWise

Cc: Andrew Boyajian, Head of Banking (Americas), TransferWise
Andrea Gildea, Head of Legal (Americas), TransferWise