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November 7, 2019

**BY ELECTRONIC SUBMISSION**

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551  
Docket No. OP-1670

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

Dear Ms. Misback:

The Bank of New York Mellon Corporation (“**BNY Mellon**”)<sup>1</sup> welcomes the opportunity to respond to the Request for Comment on the Federal Reserve Actions To Support Interbank Settlement of Faster Payments.<sup>2</sup> As a participant in the U.S. banking system since 1784,<sup>3</sup> we are committed to supporting efforts to achieve Faster Payments throughout the United States, including the instant and transparent movement of funds and payment related information.

Similar to the Board of Governors of the Federal Reserve System (“**Board**”), we share the vision of a faster and ubiquitous funds transfer infrastructure that provides instant payments capabilities 24x7x365 for all of America (i.e., corporations, small businesses, consumers, not-for-profits, and government entities). The RTP® Network<sup>4</sup> from The Clearing House (“**TCH**”) has made progress towards this shared vision, reaching more than 50% of U.S. demand deposit accounts<sup>5</sup> and growing.

The introduction of the FedNow<sup>SM</sup> Service in 2023 or 2024<sup>6</sup> could help accomplish this shared vision so long as it is interoperable with and equitable to the RTP Network. A unified United States Faster Payments ecosystem is of significant interest to our institution and our clientele. Our recommendations, concerns and considerations for interoperability and infrastructure equality are in the subsequent sections below for your review.

**I. Interoperability**

To ensure Faster Payments for the entire American economy, it is critical to have coordination and collaboration between the FedNow Service and RTP Network. An interoperable relationship between the FedNow Service and the RTP Network would create a unified Faster Payment System for the United

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<sup>1</sup> BNY Mellon provides investment management and investment services that help institutions and individuals invest, conduct business, and transact in markets across the world. As of June 30, 2019, BNY Mellon had \$35.5 trillion in assets under custody and/or administration, and \$1.8 trillion in assets under management.

<sup>2</sup> Federal Reserve Actions To Support Interbank Settlement of Faster Payments, Request for Comments, 84 Fed. Reg. 39297 (August 9, 2019).

<sup>3</sup> BNY Mellon, Our Story, Company Profile: <https://www.bnymellon.com/us/en/who-we-are/our-story.jsp>

<sup>4</sup> RTP® is a registered service mark of The Clearing House Payments Company L.L.C.

<sup>5</sup> The Clearing House: <https://www.theclearinghouse.org/payment-systems/rtp/rtn>

<sup>6</sup> Faster Payments, 84 Fed. Reg. at 39321.

States, benefitting all Americans. This outcome depends upon the FedNow Service incorporating the following key attributes, features and functionality from the time of its inception and beyond:

- **Cross-network Connectivity:** Messages initiated at an RTP bank should be transmitted from the RTP Network to the FedNow Service and received at a FedNow bank (and vice-versa) in a frictionless and efficient process, transparent to all parties involved through the use of publicly available routing number information via a network participant table for routing purposes.
- **Rules Uniformity:** The Network Operating Rules and Participant Rules of the FedNow Service should follow a common rule set together with the RTP Network,<sup>7</sup> specifically the sections detailing payment finality, irrevocability, instantaneous settlement 24x7x365, applicable regulations, Operator and Participant requirements, and payment limits (i.e., \$25,000.00 USD per Credit Transfer).
- **Message Uniformity:** The existing message set available with the RTP Network<sup>8</sup> (e.g., Credit Transfer, Request for Payment, Remittance Advice, Request for Information, Response to Request for Information, etc.) should be supported by the FedNow Service for consistency. Importantly, the use of a debit message should be prohibited to reduce fraud risk and give the payer greater control over the transaction.<sup>9</sup> The system instead should use the credit Transfer message to send funds and the Request for Payment message to request funds.
- **Technical Uniformity:** Utilization of ISO 20022 messaging standards and specific ISO message versions (e.g., Credit Transfer via pacs.008.001.08), instant bank-to-bank and operator-to-bank messages confirming successful message and funds transmission (or failure), and consistent usage of unique identifiers to identify each message in addition to the parties, clearing system, and directory (if applicable).
- **SLA Uniformity:** Incorporation of technical and procedural mechanisms to ensure service level agreements (SLAs) pertaining to the timing, duration and behavior of messages is consistent across the interoperable FedNow and RTP ecosystem (e.g., end-to-end message transmission of 15 seconds or less, number of attempts to request funds from a counterparty, non-expiry of requests for payment messages).
- **Experience Uniformity:** Common terminology, design elements and user interface standards have been implemented within the RTP Network to provided consistency across the network for all users, regardless of type, institution or channel. The utilization of common display guidelines and best practices is recommended to continue this client experience consistency to the betterment of the network as a whole.
- **Fraud Prevention Uniformity:** Fraud information sharing (e.g., participant contribution of confirmed fraud with operator dissemination to network participants) and requirement of FFIEC

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<sup>7</sup> The Clearing House Real-Time Payments Operating Rules (October 30, 2017): <https://www.theclearinghouse.org/payment-systems/rtp/-/media/6de51d50713841539e7b38b91fe262d1.ashx>; The Clearing House Real-Time Payments Participation Rules (October 30, 2017): <https://www.theclearinghouse.org/payment-systems/rtp/-/media/d0314d2612ab4619b3c09745b54cf96f.ashx>

<sup>8</sup> The Clearing House Technical Documentation, RTP Message Specifications: <https://www.theclearinghouse.org/payment-systems/rtp/technical-documentation>

<sup>9</sup> Faster Payments Task Force, Faster Payments Effectiveness Criteria, Section S.2 Payer Authorization: <https://fedpaymentsimprovement.org/wp-content/uploads/fptf-payment-criteria.pdf>

issued guidance (e.g., multifactor authentication<sup>10</sup>, dual release<sup>11</sup>).

- **Additional Considerations:** Network directory integration (e.g., Zelle<sup>®12</sup>), the technical ability to connect to global Real-Time Payment networks (e.g., UK Faster Payments, NPP Australia, etc.), connectivity with centralized data repositories, and tokenization of message attributes.

We stand ready to work with the Federal Reserve on these issues.

## II. Infrastructure Equality

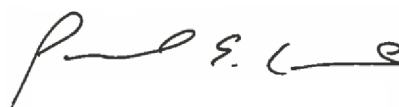
In order to provide an equitable Faster Payment infrastructure in the United States composed of the interoperable FedNow Service and RTP Network ecosystem, we recommend that the Board consider the following actions:

- **Interest paid on RTP joint account funds.** Provide the ability for RTP Participants to receive interest on the balances held at the Reserve Banks for purposes of the RTP system.
- **Liquidity Measures:** Expansion of Fedwire Funds and National Settlement Service hours up to 24x7x365 should apply equally to FedNow and RTP participants. Likewise, adjustments to intraday credit, discount window borrowing, and other features and tools to assist institutions in managing intraday and end-of-day account balances should apply equally to FedNow and RTP participants.<sup>13</sup>
- **Impose identical standards and provisions to the FedNow Service as has been imposed on the RTP Network.** Specifically, align requirements of all operators (TCH and the Reserve Banks) pertaining to joint accounts to support faster payments and lending or accounting policies (and associated discount windows), thus providing consistency across the ecosystem and fair competition between operators.

\* \* \*

BNY Mellon appreciates this opportunity to respond to the Board's Request for Comment. We believe interoperability and equality between the FedNow Service and the existing RTP Network is essential for Faster Payments to reach all Americans. We welcome an opportunity to discuss and review these comments further with representatives from the Federal Reserve.

Respectfully submitted,



Paul Camp  
Chief Executive Officer, Treasury Services  
BNY Mellon

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<sup>10</sup> Federal Financial Institutions Examination Council Authentication in an Internet Banking Environment: [https://www.ffiec.gov/pdf/authentication\\_guidance.pdf](https://www.ffiec.gov/pdf/authentication_guidance.pdf)

<sup>11</sup> Federal Financial Institutions Examination Council Supplement to Authentication in an Internet Banking Environment : [https://www.ffiec.gov/pdf/Auth-ITS-Final%206-22-11%20\(FFIEC%20Formatted\).pdf](https://www.ffiec.gov/pdf/Auth-ITS-Final%206-22-11%20(FFIEC%20Formatted).pdf)

<sup>12</sup> Zelle and the Zelle related marks are wholly owned by Early Warning Services, LLC and are used herein under license

<sup>13</sup> Faster Payments, 84 Fed. Reg. at 39319-20.