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Federal Reserve Actions to Support Interbank Settlement of Faster Payments [OP-1670]

Dear Governors and to whom it may concern,

We have followed closely your plan and consultation to develop a new interbank 24x7x365 real-time gross settlement service (RTGS) to effectively support the future of faster payments in the United States.

As you have articulated, there are many benefits to be realized from the implementation of this new system. It will provide individuals and businesses with more flexibility to manage their money and make time-sensitive payments, as well as increase competition, improve quality and accelerate innovation.

As a firm, we are focused on helping our financial services clients understand, evolve, and meet the disruptive forces of regulation, technology and changing customer expectations. Based on our experience, we believe there will also be challenges to consider in order to launch as planned in 2023 or 2024.

- 1) Successful implementation will mean adapting to the fast-moving world of payments technology and ensuring that future innovation is possible.
- 2) Fraud and cyber-security threats in the US continue to increase in scale, type and sophistication, and these will threaten the stability of any new technology-based system.
- 3) The capability will need to be built so that it can operate alongside the diverse payments systems in the US, as well as those in place globally today or under development.

We work with a range of public and private sector institutions who are developing the next generation of payment infrastructure and we've seen first-hand the benefits of instant payments. We have experience working with a large central bank to develop an RTGS system capable of responding to changing demand whilst maintaining a stable and more resilient infrastructure.

To mitigate the challenges outlined above, we believe there are five approaches that must be considered:

1. Put resilience at the heart of the service

The FedNow service will need to design for flexibility with the protections necessary to ensure continuity of service and integrity of data. It will be vital that resilience and efficiency through greater interoperability is promoted to give users the flexibility to reroute payments if outages occur.

2. Design for flexibility

Build in the ability to keep pace with innovation, for example by making the new service capable of interfacing with a range of new payment technologies, such as distributed ledgers. This will help you create new services for end users.

3. Provide enhanced data provision

There are growing demands for higher quality and more comprehensive payment data which you will need to meet through user experience and interface design, as well as the reporting and analytics provided by the service.

4. Manage industry engagement

As you are already doing, it will be necessary to make the case for change and proactively manage member transition during this period of rapid transformation across the payments industry. For example, effective co-ordination across the industry is critical for the implementation of new ISO 20022 messaging standards. In addition, interoperability with other RTGS systems and market infrastructure will be key as the industry moves towards real-time cross-border payment propositions.

5. Use Agile delivery methods

Organisational agility has a direct correlation to market-leading performance, and promotes flexible, adaptive organisations. So, consider adopting an Agile delivery framework that will see stakeholders realizing the value of the new system sooner than the five years currently projected and increasing the flexibility and resilience of delivery.

We would welcome the opportunity to share further insights based on our experience or discuss any of the suggested responses outlined above.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'D Troman', with a large, sweeping loop at the top.

David Troman
PA's Head of Financial Services