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

Attention: Federal Reserve Financial Services Policy Committee

Filed Electronically Via: regs.comments@federalreserve.gov

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

Google LLC (“Google”) continues to express its strong support for the Federal Reserve Board’s effort to deploy FedNow, a new interbank real-time gross settlement service (“RTGS”) described in the September 9th, 2019 notice “Federal Reserve Actions To Support Interbank Settlement of Faster Payments.” We believe that deploying FedNow would reduce barriers to innovation in the delivery of financial services, foster beneficial competition, and increase the accessibility of financial services to all Americans. FedNow would also provide a critical component for the country’s financial infrastructure, driving innovation while providing secure, faster payments and furthering America’s competitiveness in the global economy.

Google supports the creation of inclusive and open digital payments systems that are available to all parties in the economy and which support the government’s assurance of the stability and integrity of digital commerce.

To support these operational goals and policy objectives, we reiterate prior recommendations in our December 13th, 2018 response to the Federal Reserve Financial Services Policy committee in its call for comments to “Support Interbank Settlement of Faster Payments.” Specifically, the contemplated RTGS should:

1. Support real-time low-value and high-value payments,
2. Use standardized messaging protocols (e.g., ISO 20022) with extended metadata, and
3. Provide clear standards for an Application Programming Interface (“API”) layer that enables licensed non-financial institution third parties to access account information and submit requests into this payment system.

Our comments in this submission are based on Google’s experience in developing new digital payment technologies that bring together technology and financial services partners that can provide services for the benefit of all. This note discusses successes achieved, and follows with specific recommendations for FedNow.

The India Experience

Google worked closely with the National Payments Corporation of India (“NPCI”), the payments regulator governed by the Reserve Bank of India (“RBI”), to build a mobile application (“Google Pay”) for India. NPCI deployed a real time payment system, United Payments Interface (“UPI”) in 2016. Google’s integration of Google Pay with UPI, in collaboration with four of India’s largest banks, demonstrates Google’s commitment to innovation through collaboration with government and financial services partners.

UPI was thoughtfully planned and critical aspects of its design led to its success. First, UPI is an interbank transfer system (there are now over 140 member banks, after initially launching with 9 participating banks). Second, it is a real time system. Third, it is “open” - meaning technology companies can build applications that help users directly manage transfers into and out of their accounts held at banks.

The approach in India attained amazing results for banks, consumers, other players within the payments ecosystem and India’s central bank. Adoption of the system was rapid, growing from 100,000 monthly transactions, to 77 million, to 480 million, to 1.15 *billion* monthly transactions in the first four years.¹ After just three years, the annual run rate of transactions flowing through UPI is about 10 percent of India’s GDP, including 800 million monthly transactions valued at approximately 19 billion USD.

Google has been a successful market participant in India’s use of UPI, and Google Pay provides one of the three leading mobile applications that use UPI, as measured by transaction volume. Every transaction made on Google Pay is done through our partnerships with India’s banks over UPI - this success is mutual as between tech, financial services and government.

Remarkably, the use of debit, credit and pre-paid cards also *nearly doubled* during the same period. Both pre-existing and new players in the financial ecosystem benefited, and both new and pre-existing digital payment systems saw increased utilization. This system successfully encouraged close collaboration between technology and financial services providers, and created winning opportunities across the ecosystem.

Key Learnings

- First, industry and government should work together to grow ecosystems where payments are inclusive, opening up economic growth for everyone. Partnering with banks, financial institutions, technology players and government enables economic growth for consumers, small businesses and merchants.
- Second, we see the future of online payments as mobile first. For many people their first computer is their phone, and we now see an increasing reliance on phones in this country by millennials and successive generations. Payment systems should fully enable banking through mobile devices.
- Third, digital payments, for Google, is about making payments simple and helpful. Technology companies are positioned well to help financial services providers build applications that empower users to better understand and manage their money. Google favors open systems where technology and financial services providers can collaborate in a conscientious way that respects the opportunity to serve our end users while supporting regulators and their mandate to assure that payment systems are safe and effective, and supportive of their national economic policies.

Recommendations

From these key learnings, Google offers specific suggestions for your consideration.

- Prior recommendations. We reiterate our prior advice:
 - Support real-time low-value and high-value payments,
 - Use standardized messaging protocols (e.g., ISO 20022) with extended metadata, and
 - Provide clear standards for an Application Programming Interface (API) layer that enables licensed non-financial institution third parties to access and submit requests into this payment system.

¹ Monthly transactions for October of 2016, 2017, 2018 and 2019, reported by NPCI at <https://www.npci.org.in/product-statistics/upi-product-statistics> as of November 7th, 2019. Figures are rounded up or down to nearest significant digit.

- Open Payments. FedNow should be an open system (akin to UPI) because this openness fosters collaboration between technology and financial services providers.
 - Rather than pre-determining the role of each, private parties should be given the flexibility to explore and develop means of collaboration that best serve their end users. This approach allows technology companies and financial services providers to find unique solutions together, furthering innovation and collaboration.
 - While it is expected that technology companies will focus on providing technology, and financial services providers will focus on providing financial services - because each excel in their independent areas of expertise - these services may be layered and integrated in different and creative ways.
 - It is therefore important that technology companies be permitted to initiate payments by submitting a “push” or “pull” request at the request of an end user to the end user’s bank, and for the bank to execute such request subject to existing regulations that assure the integrity and security of such requests. Furthermore, it is equally imperative that technology companies be permitted to access an end user’s bank account information at the request of an end user.
 - The Payment Services Directive in the European Union (“PSD2”) has fostered collaboration between technology and financial services companies by adopting this position.

- Fees. Google believes that it is essential that low fees for the use of FedNow are established to promote accessibility and innovation. Fees to access and use the system must be sufficiently low to encourage market participation by both technology and financial services providers. Also, assuring that transactions below a modest threshold are free of charge would encourage use by lower-income users and improve inclusion of such users in the new digital economy. It is essential that FedNow foster inclusion of all users regardless of income. Moderating fees, especially for smaller transactions, also could promote the development of wholly new business models that thrive in the context of “micropayments.”

- Accessibility. Google supports taking meaningful and effective steps to ensure that users with disabilities are able to utilize new payment tools and are empowered to participate fully in the digital economy. The FedNow system should have accessibility built in from its early conception through its final deployment. Accessibility can be facilitated by way of requirements that end user services integrated with FedNow provide accessible means of use for protected classes of end users.

- Authentication. A flexible approach to customer authentication is essential to promote increased usage of a real time payment system by way of mobile applications. A natural point for authentication is the point at which the end user engages the digital ecosystem, whether that point is facilitated by a technology service company or financial services company. Again, providing a general requirement that technology and financial services companies must satisfy together will provide them the flexibility to work together and encourage the most effective solutions for end users.

- Central Identification Maps. Payment systems in SouthEast Asia, including by way of example Singapore’s PayNow, Malaysia’s DuitNow, and Thailand’s Promptpay have introduced a further innovation that has spurred adoption. Specifically, there is a central government facilitated identification mapping of users to their bank accounts. An example is the creation of a database that maps mobile phone numbers to bank accounts. In such systems, all a user needs to pay another person or merchant is the recipient’s phone number. In some cases, merchants are given unique identifiers which can be paid, even through QR codes. Permitting both technology service and financial services companies to access such a shared database promotes collaboration and a diversity of services provided to consumers. We recommend that the Federal Reserve consider the establishment of such a database into which users may “opt in” so as to be able to access a greater range of digital payments services.

- Standardized API integration. As noted in our prior comments, a clear and unified standard API interface available to both technology and financial services providers is essential. In India, the provision of such a standardized API has enabled technology companies to quickly integrate and work with over 140 banks that utilize the UPI system. In contrast, in economies where such a standardized API is not available, or one in which technology companies

are not provided access, more complex and sometimes incompatible API standards have required custom work for integration between each pair of technology and financial services companies. Absent a standardized API, smaller financial services companies with more limited resources face greater challenges in joining the new digital ecosystem.

Summary

Google views digital commerce, and the emergence of new forms of payment systems, as essential to promoting an inclusive and more helpful payment system. We fully support the Federal Reserve's decision to deploy the FedNow RTGS, which has the potential to dramatically improve the accessibility and usefulness of payment systems for all Americans. By partnering with governments and financial services providers, technology companies can support the responsible deployment of new financial systems and payment tools. We welcome further dialogue with the Federal Reserve and broader stakeholders as FedNow is developed and deployed.

Respectfully Yours,

A handwritten signature in blue ink, appearing to read "Mark Isakowitz". The signature is fluid and cursive, with the first name "Mark" being the most prominent part.

Mark Isakowitz
Vice President, Government Affairs and Public Policy, US & Canada, Google