



National Grocers Association

Via Electronic Submission

November 6, 2019

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

RE: Docket No. OP – 1670 Federal Reserve Action to Support Interbank Settlement of Faster Payments

The National Grocers Association appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve on the design, features, and components of the FedNowSM Service. A real-time gross settlement service, operated by the Federal Reserve, will provide our members with the speed, convenience, and flexibility needed to better manage cash flow and will ultimately provide a foundation for new payment technologies to be adopted throughout the independent grocery industry.

Background

The National Grocers Association (NGA) is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. The independent grocery sector is accountable for close to one percent of the nation's overall economy and is responsible for generating \$131 billion in sales, 944,000 jobs, \$30 billion in wages, and \$27 billion in taxes. NGA members include retail and wholesale grocers, state grocers associations, as well as manufacturers and service suppliers.

NGA strongly supports the Federal Reserve's decision to develop and operate the FedNow Service. Our association has previously submitted comments in support of a real-time, 24x7x365 gross settlement service and the Federal Reserve's goals to stand up faster payments infrastructure focused on ubiquity, security, and efficiency. The following comments reflect NGA's perspective and how the FedNow Service could best benefit our membership and the independent grocery industry at large.

Request for Payment and Retail Operability

The FedNow Service must support request for payment and retail point-of-sale operability from day one. With the prospective transaction limit capped at \$25,000, adoption of the FedNow Service for business-to-business (B2B) payments will be severely limited until the transaction limit is increased to complement private sector alternatives. However, if the FedNow Service can offer full functionality to merchants looking to implement real-time payments at the point of sale – and facilitate peer-to-peer (P2P) transactions – the service will immediately provide a value-add to retailers and other end-level users.

Security and Fraud Prevention

With a real-time payments service, fraud prevention and security must be a paramount concern. Greater adoption of real-time payments at the end-user merchant level will be supported by a FedNow Service that can produce a cost benefit by preventing fraud losses better than other, more traditional merchant payment types. While developing the FedNow Service based on a credit push transaction construct will provide enhanced security, the service must provide fraud monitoring solutions and work in coordination with end users and banks to make sure that vulnerabilities do not arise in any part of the system.

Service Pricing

NGA agrees with the Federal Reserve’s approach to a long-term cost recovery window for the FedNow Service. While adoption of a real-time system may be slow, the risk of focusing on cost recovery in the near term may inhibit wide adoption due to higher transaction fees.

Service pricing also may need to be bifurcated based on transaction amount in order to accommodate small dollar transactions and merchant adoption at the point of sale. While NGA supports a model of service pricing based on a per transaction rate – as opposed to a volume-based pricing model – transaction fees on small dollar payments may require a separate rate in contrast to larger, likely B2B payments, to facilitate retail point-of-sale adoption.

NGA also recommends that the FedNow Service set limits on end-user pricing. If primary cost recovery for the FedNow Service is contingent on fees paid by banks, a framework needs to be provided to keep financial institutions from setting end-user fees that impede retail adoption and merchant or peer-to-peer use.

The National Grocers Association supports the Federal Reserve’s work towards real-time gross settlements and the FedNow Service and looks forward to any additional opportunities to provide feedback and comments regarding its development and service design.

National Grocers Association
1005 North Glebe Road, Suite 250
Arlington, VA 22201
nationalgrocers.org