

# JBNV HOLDING CORP

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## **Federal Reserve Actions To Support Interbank Settlement of Faster Payments; Response to Request for Comments**

November 7, 2019

JBNV Holding Corp (“JBNV”) is pleased to respond to Board of Governors of the Federal Reserve System notice and request for comment on the Federal Reserve Banks’ proposed interbank 24x7x365 real-time gross settlement service and integrated clearing functionality (“FedNow”) in Docket No. OP-1670.

JBNV is a single-bank holding company that owns a small community bank in Las Vegas, Nevada – Kirkwood Bank of Nevada -- with current total assets of approximately \$125 million. As the owner of a small community bank, we are focused on our local community and customers whose banking needs have evolved significantly over the last ten years, especially in payment channels. As a result, we see a clear and immediate need for advances in financial services technology that will support more diverse and efficient payment settlements via services that are available to banks of all sizes instead of restricting new technologies to larger banks with the resources to afford them. The Federal Reserve’s announcement to proceed with the design and development of FedNow is consistent with the recommendations of the Faster Payments Task Force and JBNV supports its implementation.

The operational challenges posed to small community banks are well known. Developing and maintaining technology solutions for banking operations is expensive such that these banks typically contract these services out to third-party vendors at a cost that is substantial when compared to revenues. In many cases, these costs are passed along in whole, or in part, to customers. Larger banks with substantial resources do not suffer from this disadvantage. One clear example is The Clearing House (“TCH”), a fintech company owned by seventeen of the top twenty-two banks in the country. Collectively, the deposits held by these “super” banks

approximates fifty-five percent of the total deposits held by FDIC insured financial institutions and well over fifty-three percent of all government insured deposits in the United States,<sup>1</sup> This is, on its face, a potentially dangerous concentration of ownership and control of the single existing real-time payments (“RTP”) solution. It also serves as one of the many unfair competitive advantages larger banks have over smaller community banks. These competitive advantages can only be mitigated through technologies that dramatically lower operating costs while increasing operational efficiencies for small banks. Therefore, we strongly urge the Federal Reserve Bank to continue with its stated plan to introduce a viable RTP system that could be used by thousands of financial institutions (banks and credit unions) that do not have access to TCH.

Our core belief is that we in the banking business are all better served by innovation through competition. This is especially true for the community of smaller banks, where innovation through competition should continually deliver better products and services at a lower cost for customers. We have seen over and over again that a lack of innovation and competition lead to inefficiencies, higher costs, and a lack of choice for customers. We applaud the Federal Reserve Bank for committing to innovation and competition with FedNow. However, we also believe that any RTP system should be a platform for continually innovation and competition and thus, should be designed to incorporate alternative user platforms. Such alternative user platforms should include TCH and platforms created by new innovators that can meet the operational and security standards to be established by FedNow. The result will be that a community bank, such as ours, will have the opportunity to make technological choices that are best for it and its customers.

We would also like to address the issue of access to FedNow. We understand that as

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<sup>1</sup> See <https://www.relbanks.com/top-us-banks/deposits>; [see also http://ycharts.com/indicators/us\\_banks\\_total\\_deposits](http://ycharts.com/indicators/us_banks_total_deposits); [see also https://www.clearinghouse.org/payments-systems/rtp](https://www.clearinghouse.org/payments-systems/rtp).

tentatively designed, FedNow will be available only to depository financial institutions that qualify for services and have a Master Account with the Federal Reserve Bank. Aside from the obvious need of FedNow to be able to record transactions through a Master Account, we believe that direct access to FedNow should not be expanded to non-depository institutions, such as non-depository financial services companies and merchants. We believe that the integrity and effective supervision of the United States financial system is best served by the Federal Reserve Bank, in its dual role of provider of services and regulatory leadership of depository financial institutions.

Lastly, as technology will continue to play a central role in enhancing the customer experience while lowering customers costs, we would also like to highlight the potential of blockchain technology, a technology that will usher in a new era of robust transparency and fairness in the banking ecosystem. Blockchain technology holds the promise of incredible efficiency gains while simultaneously lowering costs for customers. But even more importantly, blockchain technology has the potential to redefine how value is stored, maintained, and exchanged over the internet in a way that places the customer on equal footing with financial institutions when it comes to customer money, assets, and financial data. Blockchain technology, by its very nature, can readily power a financial services ecosystem rooted in transparency and fairness so that small banks and their customers will be able to participate in an ecosystem that puts them on equal footing with the biggest banks in the world and their customers. I have made a substantial investment in the development of this technology outside of our bank and we believe firmly in the power of this technology to effectuate positive change in the entire financial services community. We are hopeful that the Federal Reserve Bank will consider blockchain technology as it develops its future systems and regulations.

Sincerely,

Jeffrey K. Berns  
President