November 7, 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

Dear Ms. Misback,

Below are comments regarding Docket OP-1670:

- The general description of the FedNow Service replicates the methodology currently employed by the private sector for exchange of ISO20022 messages. The bank to bank settlement being applied to the participating institutions master account, at the Federal Reserve Bank, would eliminate the funding challenges of the current pre-funded joint Reserve account approach used by the private sector.
- Participation in the FedNow Service, as it is described, appears to be optional. If so, interoperability between the private-sector and the Federal Reserve services is crucial to expedite adoption of Real Time Payments. Without interoperability, nation-wide reach would only be achievable if financial institutions participate in multiple networks. This approach produces substantial costs to financial institutions and service providers for technological development of multiple payment channels and would slow or limit adoption.
- Expansion of the operating hours for the Fedwire Funds Service and the National Settlement Service in section IV of the docket are required to successfully implement Real Time Gross Settlement (RTGS) of faster payments. It will create a negative impact to financial institutions if, as stated, the Board will seek comment separately on this proposed change and potentially implement RTGS without operating hour expansion. Implementation of RTGS without the ability to manage funding balances on a 24X7X365 day basis would require institutions to maintain funds in the affected accounts on a “forecasted need” basis. This would result in either an under-funded or over-funded position, negatively impacting the institutions financial performance. Furthermore, private sector providers set minimum funding balances required in

the joint account based on participating institution's deposit account totals. It is unclear if this requirement is adjusted based on customer participation. This approach presents the possibility of over-funding in the joint account, thus increasing non-earning asset balances for the participating institution.

- The change to a seven-day accounting regime will result in inconsistences in financial reporting if participating institutions continue with current accounting conventions while the Federal Reserve adopts different conventions. The current intra-day management of balances for other Federal Reserve payment services could also be applied to the FedNow service.

Sincerely,

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