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Dear Sirs and Madams

In November we wrote you encouraging The Federal Reserve to develop a real time gross payment system. We are a \$6.6 Billion sub regional community banking organization.

We are writing you now to comment on the Federal Reserve Bank's decision to design and offer FedNow as a safe and efficient real time gross settlement system to the banking community. While we applaud your decision and look forward to its implementation we are writing to encourage you to accelerate the process and to rethink the way you might go about its design.

Your decision while challenged by some is just a natural extension of the check clearing and wire transfer services now provided by the Fed and essential to allowing us to serve consumer and small business needs in multiple small and medium sized communities. It is a modernization of what you already do and is a natural extension of your clearing services. Your services are essential to our ability to meet client needs and that is why we want you to accelerate your efforts. We hope you will embrace an agile approach to this project and accelerate its design and implementation in 18 to 24 months at most rather than the 3 to 5 years some estimate it may take. The banking industry is devolving into an oligopoly and without a competitive real time payment offering in the market the trend will continue unabated to the detriment of many communities across this country.

As one of my colleagues here concerned about the control of the payment system by just a few players wrote when I asked for input to this letter:

"Concerns:

- 1) Without a standardized backend system provided by the Fed, we lose control of our ability to directly meet our customers' needs.
- 2) As we move closer to a cashless society, these transactions will largely become the norm. The more our customers actively and outwardly use a third-party service even if it is co-branded, this dynamic will dilute our brand value.
- 3) The players in this space (Zelle, Venmo, Square) are working to find the right business model. The monetization of these transactions will eventually settle and the leader will have pricing power over the industry. This will become extremely costly for community banks.
- 4) For the Fed's initiative to be successful, widespread adoption is paramount not only by the end users but also by the banks as well. You addressed this in your letter, but the Fed has to make the adoption process by the bank easier than deciding to use Zelle or another third party.
- 5) Urgency – This service is prone to a first mover advantage. Once a customer's network is set up in an ecosystem, they will not be apt to change it. Zelle has the lead by transaction count as far as I can tell.

We are also writing to encourage the Federal Reserve to approach this product development effort differently than it may have historically undertaken projects of this magnitude and complexity. We suggest you adopt a model more akin to the fin tech community's approach to design and development and to customer experience sensitivity.

We appreciate your mandate to provide your services to the banking community and not to the private or public sector directly, as proscribed by The Monetary Control Act. Mindful of that we would still encourage you to build this system starting with end clients or customer needs in mind and build enough flexibility in the connectors that the system will accommodate innovation in the customer space for years to come. We encourage you to design this with the end user in mind, consumers and businesses.

Normally, your operations and systems colleagues, much as ours do, build a product or system from the inside out optimizing the operational aspects, supposedly making it more robust, from the perspective of the "operator" versus the ease of the user. We ask you to do the opposite and start with the end users, the banking community's customers, and those who will likely develop and offer "connections" to the real time payment rail between the end users and the banks. We hope you will focus on the need and ease of building out that "last mile" between the bank and the consumer/business user. While we certainly want interoperability between competing systems in the market we are concerned that not addressing the "last mile" to be deployed by the bank users will stifle adoption and use.

Accordingly, we encourage you to begin working with multiple service providers, fin techs, and digital client experience providers to ensure optimal use of the system. Please work to design it in such a way that it not be core processor dependent. They certainly need to be at the table but it should not be designed to make us all more core processor dependent.

For the FedNow service to reach ubiquity in the market through banks it will be important to build in agile processes which allow and encourage the development of multiple front end offerings. Fin tech developers will need to understand the framework with which you are building the system or at least its connection points so they can begin to build the customer facing systems to attach to the tech stack.

Many banks will not be ready for implementation unless you build in ease of access and have already encouraged the development in the market of client facing alternatives. To ensure market ubiquity we would have preferred that the Federal Reserve enter the space by providing the front end for the final user but we understand your reluctance to enter this space

So, in closing, thank you, be agile, accelerate the design and implementation, and facilitate the development of front end customer connections!

Yours, Chris Murphy

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