

September 9, 2021

Via eRulemaking Portal

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

**Re: Comments Regarding the Proposed Amendments to Regulation J – Docket No. R-1750;
RIN 7100-AG16**

Dear Ms. Misback:

On behalf of the Electronic Transactions Association (“ETA”), we appreciate the opportunity to share our thoughts on the Board of Governors of the Federal Reserve System (“Fed”) proposed amendments to Regulation J to govern funds transfers through the Federal Reserve Banks’ FedNow Service.

ETA members support the Fed’s proposal as one part of the competitive faster payments marketplace, and we encourage continued development and deployment of products and services to help serve consumers, and businesses. ETA appreciates the Fed’s efforts to collaborate with the payments industry to foster innovation in the payments system as well as its consideration of ways to support faster payments.

Who We Are

ETA is the world’s leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than \$21 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

Comments

Support for the Fed’s FedNow Service

ETA supports the Fed’s interbank 24x7x365 real-time gross settlement service with integrated clearing functionality, called the FedNow Service, and encourages continued development and deployment of products and services to help serve consumers and businesses. ETA appreciates the Fed’s efforts to collaborate with the payments industry to foster innovation in the payments system.

As the Fed moves forward on more specific plans on how to implement FedNow, we respectfully request that it consider the effects that any proposals may have on competition, pricing, and development of real-time payment services in the United States. These considerations are critical



to ensure that FedNow enhances competition in the existing faster payments market. When considering the introduction of FedNow by the Fed, we have concerns about the relationship between stakeholders in the private marketplace and the Fed, which regulates many of those entities. While the Fed already provides some services (Fedwire, ACH, etc.) to regulated entities, the entrance into a real-time gross settlement service would present a much larger challenge to the private marketplace. For example, there would still be challenges with market fragmentation, as those industry stakeholders that have already made significant investment in private faster payment services would need to consider whether duplication of participant costs would be viable.

Interoperability Is Critical

ETA urges the Federal Reserve to ensure interoperability of FedNow with existing private-sector faster payments network solutions. Interoperability between FedNow and The Clearing Houses' Real Time Payments is key to achieving broad-based reach, accessibility, and maximum utility. In the absence of interoperability, financial services providers will be required to operate on multiple payments systems, leading to decreased efficiency and ubiquity, increased burdens on financial services providers, and inconsistent levels of service for consumers. Key to achieving interoperability is not only adoption of ISO 200022 standard messaging, but also consistent data format specifications, processes, and practices already established in the faster payment network.

As such, ETA respectfully recommends that the Fed continue to work with industry to ensure that any new proposals have a positive impact on competition and accessibility for real-time payment services in the United States.

Nonbank Access to FedNow

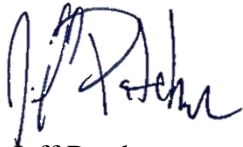
ETA suggests that the Fed consider that nonbanks be granted access through their own entity or a depository institution and require that they meet both the security and compliance requirements established by the Fed. Guidelines for access should be established, and the Fed should tailor any regulations to the activities and risks that the entities pose, including those currently not regulated by the Fed. Entities accessing the system should be subject to regulatory standards and oversight to protect consumers.

Creating standard eligibility requirements to ensure that only legitimate, well-governed, compliant and capable enterprises access the system. Additionally, access and functionality should be tailored to an individual entity's risk management and operational capabilities. If entities cannot meet minimum standards, they should be excluded from accessing the FedNow Service.

Furthermore, the Fed should provide ongoing oversight to ensure that risk profiles have not changed materially, and that risk management structures and operational capabilities remain adequate. Ongoing oversight should be achieved through periodic examination, audit, and certification. Entities that cannot maintain minimum standards should face an escalating series of consequences that may culminate in exclusion from FedNow.

ETA appreciates the opportunity to provide input on this important issue. If you have any questions, contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott, at stalbott@electron.org.

Sincerely,



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