

November 7, 2019

VIA ELECTRONIC SUBMISSION

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

**Re: Federal Reserve Actions To Support Interbank Settlement of Faster Payments– Docket No. OP-1670**

Dear Secretary Misback:

The Electronic Transactions Association (“ETA”) submits these comments in response to the Board of Governors of the Federal Reserve System (“Federal Reserve”) request for comment entitled *Federal Reserve Actions To Support Interbank Settlement of Faster Payments*. ETA supports the Federal Reserve’s proposal as one part of a comprehensive and competitive faster payments marketplace and encourages continued development and deployment of products and services to help serve consumers, and businesses. ETA appreciates the Federal Reserve’s efforts to collaborate with the payment industry to foster innovation in the payment system.

### **Who We Are**

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services. ETA’s members include financial institutions, mobile payment service providers, mobile wallet providers, and non-bank online lenders that make commercial loans, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives.

### **Real Time Gross Settlement (“RTGS”)**

ETA supports the Federal Reserve’s decision to develop the FedNow RTGS service and encourages continued development and deployment of products and services to help serve consumers, and businesses. ETA appreciates the Federal Reserve’s efforts to collaborate with the payment industry to foster innovation in the payment system.

As the Federal Reserve moves forward and starts implementation of RTGS, 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 the RTGS enhances competition in the existing faster payment market.

When considering the introduction of a RTGS settlement service by the Federal Reserve, there are several considerations including a tension based on the relationship between stakeholders in the private marketplace and the Federal Reserve which regulates many of those entities. While the Federal Reserve does already provide some services (Fedwire, ACH, etc.) to regulated entities, the entrance into RTGS presents a much larger challenge to the private marketplace. Federal Reserve cost recovery requirements may limit any significant pricing disparity between a Federal Reserve RTGS and private industry rates but allowing for competition in key. Under this proposal, there could be challenges with market fragmentation as those industry stakeholders who have already made significant investment in faster payment services, would need to consider whether duplication of participant costs would be viable. Similarly, it is critical that RTGS be made accessible and/or interoperable with existing private sector solutions and be built to support accessibility and interoperability with future systems and to ensure competitive payment opportunities exist for all payment technology innovators. Multiple, non-interoperable systems would only increase costs, complexity, and fragmentation for any bank or non-bank looking to provide faster payments functionality to their customers. As such, ETA respectfully recommends that the Federal Reserve continue to work with industry to ensure that FedNow and any new proposals have a positive impact on competition and accessibility for real-time payment services in the United States.

### **Liquidity Management Tool**

The proposal states that the Federal Reserve will explore the expansion of hours for the Fedwire Funds Service and the National Settlement Service (“NSS”), up to 24x7x365. ETA supports the implementation of a liquidity management tool that could support a 24x7x365 RTGS system. Several Reserve Bank services currently enable transfer of funds between accounts at the Reserve Bank; however, none of them fulfill an around-the-clock need. While the Federal Reserve has extended the operating hours for some of these services, the current operating hours limit liquidity management based on those services, particularly during weekends and holidays. In order to provide the most useful tool for liquidity management, these services should be available during nonstandard business hours. This could be done by either extending those services’ operating hours or providing special operating windows outside of current operating hours.

While the Federal Reserve envisions such a service being used, at least initially, only for the purpose of liquidity management related to RTGS-based faster payment services, this functionality could also be useful as a standalone service to provide liquidity to existing stakeholders.

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We appreciate you taking the time to consider these important issues. If you have any questions or wish to discuss any issues, please contact me or ETA Senior Vice President, Scott Talbott at [Stalbott@electran.org](mailto:Stalbott@electran.org).

Respectfully submitted,



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