

November 7, 2019



Via real-time electronic submission

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Federal Reserve Actions to Support Interbank Settlement of Faster Payments
Docket No. OP-1625

Ladies and Gentlemen:

Financial Innovation Now (FIN) appreciates the opportunity to respond to the Board of Governors of the Federal Reserve System (Board) request for input on the development of “FedNow,” a 24x7x365 real-time interbank gross settlement system with integrated clearing functionality.¹

FIN is an alliance of technology leaders, including Amazon, Apple, Google, Intuit, PayPal, Square, and Stripe.² We are working together on policies that will help modernize the way consumers and businesses manage money and conduct commerce. We believe technology plays a central role in the democratization of finance, and have brought to market some of the most innovative and secure financial technology products available to consumers and small businesses today.

We strongly support the Board’s decision to develop FedNow. FIN believes FedNow is critical because: 1) consumers and small businesses, particularly the underserved, need accessible and affordable options, and they have twenty-first century expectations for their money; 2) innovation in the United States will flourish through two or more settlement networks, helping to mitigate the harm of proprietary standards and rules; 3) America’s payment infrastructure is long overdue for an upgrade, while other countries are outpacing the United States in adopting real-time payments; and 4) ubiquity can only be achieved by the Federal Reserve, which is uniquely positioned to connect all financial institutions in the United States.

FIN urges the Board to move expeditiously to make the core FedNow settlement infrastructure available as soon as possible, and set a date certain to ensure all stakeholders can plan appropriately. With this primary goal in mind, FIN also recommends the following FedNow design features to drive adoption and ubiquity in the marketplace.

The Federal Reserve should enhance accessibility of FedNow via Application Programming Interfaces (APIs) which will enhance adoption of bank and non-bank payment systems. Industry technology solutions that improve the efficiency of system accessibility through secure connection paths, such as APIs, will serve as a catalyst for broader and faster adoption by industry stakeholders and end users. This connectivity will significantly aid a wide variety of innovative use cases, particularly with respect to payment messaging.

¹ Federal Reserve Actions to Support Interbank Settlement of Faster Payments, 84 Fed. Reg. 39297 (August 9, 2019).

² For more information regarding FIN’s policy priorities and principles, please visit www.financialinnovationnow.org.

FedNow should be sufficiently interoperable with other settlement systems and payment models, but the Federal Reserve should prioritize expediency without having to solve for all interoperability questions before implementation of FedNow.

Non-banks do not currently have direct access to Federal Reserve payment services. This forces a heavy reliance on single points of entry, governed by incumbent players. This bottleneck arrangement can increase systemic risk, decrease security, raise costs, increase intermediary friction, and put non-banks at a competitive disadvantage. The Federal Reserve should explore a means to permit non-banks, through financial institution partnership or other mechanisms, to facilitate payments via FedNow. Broad adoption of the FedNow service will be greatly enhanced by facilitating innovation at this point of interconnection.

Finally, FIN agrees that the Federal Reserve should facilitate an industry directory that allows faster payment services to route end-user payments using the recipient's alias, such as e-mail address or phone number, in addition to their bank routing and account information. Many FIN member companies excel at connecting end users via a wide variety of directory methods and communication channels. The Federal Reserve could enhance connectivity of deposit accounts through the provision of a secure, accessible directory. Such a system would benefit the end users of banks and non-banks alike. A federated directory system that permits non-bank direct participation would facilitate the deepest reach of FedNow to the widest possible user base.

FIN commends the Board's resolve and leadership in building the foundation necessary for America's future payment innovation – a true milestone of this generation. We look forward to working with the Federal Reserve on a timely process that drives adoption and enhances benefits for all payment system users and the public interest.

Respectfully submitted,



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