



CBAI URGES THE FEDERAL RESERVE TO MOVE FORWARD IN LAUNCHING ITS FEDNOW [REAL-TIME PAYMENTS] SERVICE

In a comment letter dated November 6, 2019, CBAI congratulated the Fed on its decision to develop its FedNow [real-time payments] Service which affirms the important role the Fed has and must continue to play in the nation's payments system. This historic decision by the Fed ensures bank choice, increased competition, the widest possible adoption, lower costs, essential checks and balances, beneficial and creative innovation, reduced concentrations in financial services, and crucial redundancy (no single point of failure) in times of crisis. There are no credible reasons why these same positive outcomes for community banks, consumers, small businesses, the financial system, our economy and American taxpayers will be achieved without the Fed's operating its FedNow Service.

CBAI highlighted the need for the Fed to move quickly to implement the FedNow Service. The United States lags the world in payments system improvements. The Fed's competitor in real-time payments, The Clearing House (TCH), has already developed its own proprietary network. The Fed's slow implementation will also extend the period needed for the Fed to recover the costs for developing its Service. In addition, community banks and their customers will be disadvantaged by not having access to a fair and equitable real-time payments system.

Ideally when the new FedNow Service is launched there will be complete interoperability (i.e., communications between different payment systems in real-time payments,) but this goal is dependent on many factors including the cooperation of others. However, achieving complete interoperability cannot delay the launch of the Service. There must be a reasonable balance between an earlier launch and a competitive and feature-rich Service for community banks to offer their customers.

CBAI also provided additional observations and recommendations regarding – access to the Service, the Fed's role as payments system regulator, service pricing, rules and standards, the payments directory, fraud prevention, modernizing regulations, core processors and other service providers, and guarding against those who would undermine the Fed's efforts (i.e., TCH, the mega banks, the many associations they control and their supporters in Congress). CBAI believes the Fed is up to the task and supports its efforts to develop and launch the FedNow Service.

[Read CBAI Comment Letter »](#)