Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM—Fed seeks comments on potential actions to support faster payments, (Oct. 4, 2018)

Banking and Finance Law Daily Wrap Up

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The Federal Reserve Board is seeking input on actions that it could take to facilitate a nationwide real-time interbank settlement of faster payments. Faster payment services are valued for the conveniences and flexibility they provide. Real-time settlement also avoids interbank credit risk by aligning the speed of interbank settlement with the speed of underlying payments. Comments on potential actions are due by Dec. 14, 2018.

Views are being sought on two potential actions that may support the further development of faster payments in the United States while increasing the resiliency and security of services offered to the public. The Fed is not committing to any specific action and is seeking input on which, if any, actions it should take.

First, the Fed is seeking comment on whether the Reserve Banks should consider developing a service for real-time gross settlement (RTGS) of faster payments that is available to conduct settlement on a 24x7x365 basis.

Second, the Fed is seeking comment on whether the Reserve Banks should consider developing a liquidity management tool that would operate on a 24x7x365 basis in support of services for real-time interbank settlement of faster payments, whether those services are provided by the private sector or the Reserve Banks.

"To meet the expectations of our 24/7 app economy, there is a growing demand for broadly and nationally accessible faster payments that make funds available immediately," said Fed Governor Lael Brainard. "Faster payments would allow consumers and businesses to send and immediately receive payments at any time of the day, any day of the year, and provide recipients the ability to use their funds anywhere they choose."

The Fed asks:

- Is RTGS the appropriate strategic foundation for interbank settlement of faster payments?
- Should the Reserve Banks develop a 24x7x365 RTGS settlement service?
- If the Reserve Banks develop a 24x7x365 RTGS settlement service, what are the relevant considerations?
- Should the Fed develop a liquidity management tool, whether those services are provided by the private sector or the Reserve Banks?
- If the Reserve Banks develop a liquidity management tool, what specifications would be required?
- Should a RTGS settlement service and liquidity management tool be developed in tandem or should the Fed pursue only one, or neither, of these initiatives?
- If the Fed pursues one or both of these actions, do they help achieve access to faster payments in the long run?
- What other approaches might help achieve the broader goals for faster payments?
- Are there other actions, the Fed should consider?

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